

Detroit Police & Fire Retirement System Fact Sheet

- Founded in 1941 by City Charter, Police and Fire Retirement System of the City of Detroit (DPFRS) is the fiduciary for the pensions of all police and fire personnel in Detroit.
- **DPFRS serves over 3,200 active and 8,500 retired Police & Fire first responders.**
- **Of the retired ranks, we serve 1,800 who are permanently disabled and 330 surviving families of members killed in the line of duty.**
- **DPFRS is a separate legal entity from the City of Detroit and the City's General Retirement System.** Weekly public meetings held on Thursdays at 9 a.m. Minutes and meeting records are posted on the PFRS website at www.PFRSDetroit.org.
- **DPFRS has a 16-member Board of Trustees.** The Board includes six (6) elected active duty police and fire personnel (3 each); and two (2) elected retired personnel (one each police and fire); one City Council designee appointed and seven (7) ex-officio appointees of the City of Detroit, appointed by the elected Mayor.
- **DPFRS has assets of \$3.2 Billion in the pension fund and it is 89% funded on an actuarial basis.** Prior to the non-payment of over \$130 Million in contributions owed by the City beginning in November of 2012 the PFRS was funded at 96.1%. In contrast, the Michigan Employee Retirement System is funded at 80% on an actuarial basis per its last report.
- Despite its strong investment performance, settlement fund are necessary for DPFRS because **the Bankruptcy Plan of Adjustment calls for no City of Detroit contribution to the DPFRS until 2024** which allows reinvestment of city revenue in other key areas.
- **Key investment and consultant advisors include:**
 - Wilshire Associates, a national firm which manages over \$800 Billion of assets and which advises 29 public and private pension systems.
 - American Realty Advisors and Courtland Partners Ltd.
 - Actuarial reports for the last 71 years provided by Gabriel, Roeder, Smith & Co.
 - CPA audit firm Plante Moran, which gave the DPFRS its "unqualified opinion" highest level of endorsement to the Board for its current financials as of January 23, 2014.

For Immediate Release: March 20, 2014

Media contacts:
Bruce Babiarz, BAB Associates, LLC
Babiarz@BABPR.com; 248-890-5030

The City of Detroit's Ongoing Failure to Make Required payments to the Police and Fire Retirement System Pension Erases Robust Market Gains

DETROIT, MI – According to Gabriel, Roeder, Smith & Co., the independent actuaries to the City of Detroit Police and Fire Retirement System, the City of Detroit's failure to pay at least \$134 Million in required contributions to the Police and Fire Retirement System has severely and negatively impacted the PFRS funded status.

"The lack of payments by the City amounts to a material defunding of the plan," said a consultant with the actuarial firm of Gabriel, Roeder, Smith & Co. in connection with presenting its draft valuation report Thursday to the PFRS Board of Trustees. "If you do not receive the money owed, you will be essentially amortizing that past due debt amount over 28-years," he added.

The actuaries advised that the Board of Trustees has written down \$71 million in past-due contributions from the City of Detroit, as of June of 2013. The City of Detroit owes an additional \$63 million in mandatory contributions no later than June 30, 2014; however, the City of Detroit and the Emergency Manager have publicly announced that the City will not make any further contributions to the Police and Fire Retirement System so long as the Chapter 9 Bankruptcy is pending, except pursuant to a confirmed plan of adjustment.

"If you don't get that money now, it will dramatically and adversely impact the pension funding levels, unfunded pension liabilities," said the consultants in a verbal presentation of the draft valuation. The current unfunded liability for pensions is \$415.6 million and would be reduced to \$344.6 million if the past due payments were made current by the city.

The Police and Fire Retirement System continues to make pension payments to its 8,476 retirees and beneficiaries. The actuary said the lack of contribution payments by the City, as well as the sharp drop in the number of active duty police and fire fighters, has put added pressure on the funding levels despite a solid return on investments for calendar year 2013 of 18.5 percent, according to Wilshire Associates, the Board's portfolio investment advisor.

The obligation to current retirees and beneficiaries is \$2.9 billion and is 100% funded at current levels. The obligation to active duty beneficiaries is \$777 million and is 47% funded partly due to the lack of employer contributions.

"You had a whiz-bang year in the market but the lack of City contributions has really cut into the pension fund cash flow and may have **been a factor in liquidating** high-yield investments to pay pension obligations," the consultants said. The cumulative effect of the City's non-payment, the shrinking payroll and the loss of market return on the money owed is doing serious economic harm to the pension funds.

The number of active members of the PFRS plan has dropped from 6,969 in 1979, to as few as 3,266 members as of **June 30, 2013**.

The actuaries said they could **not complete the experience studies** since the PFRS has not been advised of the City or Emergency Manager's intent on whether the plan would remain open or closed post bankruptcy. The planned elimination of escalators or Cost of Living Adjustments in the city's plan could also dramatically impact the decision of actives whether they can afford to retire, making it difficult to revise assumptions going forward.

In addition, the City's insistence on freezing the cost of living allowance or COLA will directly and adversely impact retirees and reduce their quality of life. This factor, standing alone, may weigh heavily in an employee's decision whether they can afford to retire or, instead, must delay their retirement due to a reduction in their pension benefits and a dramatic increase in their health care costs," the actuaries said.

The PFRS is a separate entity from the city's General Retirement System. For more information please visit www.PFRSDetroit.org.

GASB STATEMENT NO. 25 REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Schedule of Funding Progress			Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
		Actuarial Accrued Liability (AAL) -- Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)		
2001	\$3,900,020,703	\$3,463,248,393	\$(436,772,310)	112.6%	\$253,297,027	-
2002#	3,635,106,581	3,631,971,448	(3,135,133)	100.1%	248,663,133	-
2003	3,205,516,657	3,721,593,210	516,076,553	86.1%	248,681,461	207.5 %
2004	3,074,516,589	3,857,493,282	782,976,693	79.7%	258,699,581	302.7 %
2005@&	3,757,884,417	3,780,447,414	22,562,997	99.4%	250,491,872	9.0 %
2006&	3,980,254,576	3,808,952,741	(171,301,835)	104.5%	228,140,160	-
2007*&	4,307,194,763	3,896,814,229	(410,380,534)	110.5%	230,173,964	-
2008#	4,316,263,291	4,071,053,752	(245,209,539)	106.0%	232,812,606	-
2009	3,945,205,453	4,221,291,045	276,085,592	93.5%	231,795,528	119.1 %
2010#*	3,853,279,381	3,767,364,201	(85,915,180)	102.3%	228,829,999	-
2011	3,804,759,868	3,808,642,533	3,882,665	99.9%	220,461,691	1.8 %
2012#	3,675,459,604	3,822,676,002	147,216,398	96.1%	205,800,278	71.5 %
2013#(a)	3,474,538,021	3,890,143,341	415,605,320	89.3%	186,694,166	222.6 %

* Plan amended.

After changes in actuarial assumptions and/or methods.

@ After POC transfer.

& 2005 and 2006 assets were revised following the June 30, 2006 valuation. 2007 assets were revised after the June 30, 2007 valuation.

(a) Assumes past due contributions of \$71 million are **NOT MADE**.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	Reported Employer Contributions	
	From Pension Obligation Certificates (POCs)	Employer Contributions Other than from POCs
2001		\$ 14,443,382
2002		8,449,645
2003		66,843,029
2004		69,475,202
2005	\$ 630,829,189	51,602,596
2006&		57,766,542
2007		57,423,366
2008		33,934,636
2009@		36,151,057
2010		32,808,485
2011		81,642,112
2012@		49,760,229
2013		0

& 2006 assets were revised following the 6/30/2006 valuation.

@ Contribution receivable.